

The Hague International Model United Nations 2025 – 27th January 2025 – 31st January 2025



The Hague International
Model United Nations

Forum: Sixth General Assembly

Issue: The question of legislation concerning foreign investments on Artificial Intelligence in order to protect national interests

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Introduction

The question of legislation concerning **foreign investments** on Artificial Intelligence (AI) in order to protect national interests addresses the need for regulatory frameworks that balance economic opportunities and security concerns. AI is a revolutionary technology that has recently emerged as a transformative force across industries including finance, healthcare, and military defence. Its capacity to process data and to make autonomous decisions means that it can promote economic growth, but also raises risks regarding intellectual property, national security, and **sovereignty**.

Historically, technological advancements have often led to raised security concerns. During the Cold War, the United States government implemented the ITAR (International Traffic in Arms Regulations) to control the export of **sensitive technologies**. Similarly, AI's potential in both the civilian and military aspect requires a modernised approach to safeguard national security, while also fostering collaboration.

Nowadays, the international community faces an increased challenge as foreign investments in AI often cross paths with geopolitical competition. Nations must face the commercial purpose of AI, such as **predictive analytics** and autonomous decision-making, but also its military applications. Countries such as China, the USA, and members of the European Union are creating legislative frameworks to address these concerns.

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The challenge is not just about regulating foreign investments, but also ensuring that national frameworks for AI governance are transparent, **futureproof**, and can stimulate international cooperation. Experts on the matter should be urged to participate in talks regarding legislation, and it is essential that ethical principles and security at the core of said laws, ensuring that the development of AI serves both national interests, and other societal goals, such as enhancing the public healthcare system and facilitating education.

Definition of Key Terms

Foreign investments

The allocation of resources or capital by an individual, company, or government from one country into assets or ventures in another, often involving ownership, control, or financial interests

Futureproof

The ability of a system, product, or strategy to remain relevant, effective, and adaptable in the face of evolving circumstances, technological advancements, or unforeseen challenges over time

Moore's Law

The prediction that the number of transistors on a microchip would double approximately every two years, leading to increased computing power and reduced costs.

Predictive analytics

The use of data, statistical techniques, and algorithms to forecast future outcomes and

trends **Sensitive technologies**

Advanced technologies that have significant national security, economic, or ethical implications, such as AI, cybersecurity systems, advanced manufacturing, and biotechnology, which require strict regulation to prevent misuse or exploitation

Sovereignty

The authority and power of a state or governing body to govern itself, make decisions, and control its own territory without interference from external forces

Sustainable

The quality of something to meet the needs of the present without compromising the generations of future's own needs.

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Background Information

Origins of artificial intelligence

The concept of humanoid robots can be found as far back as Baum's "Tin Man" The Wizard of Oz, or Lang's "Metropolis" a few decades later. However, the concept of Artificial Intelligence as a scientific field only emerged in the mid-20th century. Major advancements began in the 1950s, when scientists, mathematicians, and philosophers started exploring the potential of stimulating human reasoning in machines. Alan Turing's groundbreaking paper released in 1950, "Computing Machinery and Intelligence", asks: "Can machines

think?” and discusses how to build autonomous machines and test their intelligence. This work set the foundation for the formal establishment of AI as a field of study.

The Logic Theorist program, first presented at the Dartmouth Summer Research Project on Artificial Intelligence (DSRPAI), hosted by John McCarthy and Marvin Minsky in 1956, and is often considered to be the first AI program. Despite difficulties in reaching agreements regarding the regulation of practices in the new field, there was a mutual sentiment that AI was achievable. This event, regardless of its shortcomings, catalysed the development of AI for the future generation.

In the years that followed, there was a “boom” in the AI industry. As **Moore’s Law** predicted, computers continued being able to process more data, and chatbots continued becoming more advanced. Two notable bots are MIT’s Eliza and Stanford’s Parry, the former acting as a human therapist, and the latter as a human experiencing paranoia. Despite both chatbots being reliant on lines of code written prior to the experiment, psychiatrists were often unable to tell whether they were speaking to Parry or a live patient. This took place around the late 1960s/early 1970s. A few decades later, in 1997, International Business Machines Corporation (IBM) created a robot called “Deep Blue”, which managed to beat the reigning world champion, Gary Kasparov in a game of chess.

In the modern day, AI has become even more capable, can process even larger amounts of data and make important autonomous decisions. This rapid evolution has caused concerns about foreign investments in AI. These concerns are particularly controversial regarding national security and sovereignty. AI technologies are now being used for a range of different activities, from self-driving vehicles, to predictive analysis, to military defence systems. As these technologies gain importance, there are worries as to whether foreign control or influence over such critical infrastructure could compromise public safety, especially in sensitive sectors such as defence and data privacy.

Key Issues in foreign investments and AI

National security concerns

AI poses unique risks to national security, which have not been covered enough by modern-day legislation. Regarding the military and domestic safety aspect, autonomous weapons, surveillance systems, and some cybersecurity frameworks heavily rely on AI to function. Foreign investments from companies involved in the sector raise the risk of foreign nations/organisations having too much influence over such technologies.

Additionally, AI systems that play a role in controlling critical infrastructure, such as the power

grid, are more vulnerable to foreign interference, such as espionage and sabotage. Unfortunately, due to the dual nature of AI, being both useful for civilian and military use, it is difficult to place effective regulations, without creating loopholes that can be exploited by those in foreign countries.

Governments across the world are particularly concerned about foreign companies accessing sensitive technology due to its potential to leading to espionage or the transfer of state secrets. These concerns led to the creation of the Committee on Foreign Investment in the United States (CFIUS), which serves the role of overseeing foreign direct investments and identifying possible national security risks. Similar concerns have also been raised in the European Union (EU).

Economic and Technological Sovereignty

Another important concern is whether countries can maintain their economic and technological sovereignty. As AI technologies advance, nations rely a constantly increasing amount on foreign companies to supply and develop AI that is necessary for their infrastructure. While it is true that foreign investments can provide capital and expertise, which is crucial for a country's economic growth, it also leads to the erosion of a government's control over its domestic technological sector. The fear is that excessive foreign involvement can lead to the loss of economic independence and hinder domestic innovation. If countries become too dependent on foreign companies for their essential AI software and hardware, essentially outsourcing critical technological needs, they lose their ability to independently develop their technology. Further, foreign companies can have access to proprietary data and intellectual property, which plays a crucial role in stifling domestic firms and hence losing a competitive advantage in the global market. Therefore, governments must consider, and carefully balance, innovation and foreign capital while also safeguarding their nation's interests.

Accountability problems

A third issue arises with accountability in the case that a law is broken. Different laws in different countries make it more challenging to hold people accountable for misuse or ethical violations. These differing regulations across the world render it easier for people to exploit weaker legal systems.

Further, with foreign investors, it becomes more challenging to find who to blame for issues regarding AI, such as bias or data misuse. If the perpetrators are in a foreign state, it becomes more challenging to identify them and enforce a penalty. In fact, sometimes it can be impossible to do so in cases where the perpetrator's host nation refuses to collaborate, and they have more relaxed laws.

Therefore, international cooperation is essential to address these challenges. Efforts like global AI guidelines, or cross-border agreements on ethical practices and accountability are going to be necessary. Unfortunately, though, the different interests and regulatory approaches of various nations act as a major obstacle, to gain one set of universal laws.

Major Countries and Organizations Involved

China:

China is considered to be one of the most rapidly growing powerhouses of AI, and it is foreseen to likely be challenging the United States in terms of dominance in this critical field. Despite their relatively new introduction of “Foreign Investment Law” in 2019, particularly its 35th article, which states that “the State shall establish a safety review system for foreign investment, under which the safety review shall be conducted for any foreign investment affecting or having the possibility to affect national security”, China has increasingly opened up to foreign investment in the AI sector. Investments in the country have been limited by the United States, which prohibits any privates from its own land to invest in China, claiming that national security is the basis of its argument. However, in the summer of 2024, Saudi Arabia’s “Aramco” announced that they would be investing \$400 million in the Chinese company “Zhipu AI”, highlighting the confidence of foreign nations in the Chinese AI sector.

In addition to this, the Chinese government has explicitly announced its goal of becoming the world’s major AI innovation centre by 2030, with the scale of its AI industry exceeding 1 trillion yuan (roughly \$140 billion), and of related industries exceeding 10 trillion yuan. As the amount of foreign partnerships such as the Aramco one increase, showing a rise in confidence in the Chinese AI sector, these investments will complement domestic efforts and lead to significant development in the field. Despite this, strong laws supervising foreign investment, such as the aforementioned Article 35 will ensure that national interests such as domestic security and undue foreign influence will be kept at a minimum.

EU (European Union):

The EU has taken important steps to address the growing concerns of AI threatening national interests, such as national security, economic stability, and technological sovereignty. One notable legislation that was introduced was the “Artificial Intelligence Act”, which defines what a “high-risk” AI is, and lays down a set of requirements for AI to be deemed as trustworthy, and in turn be introduced onto the European market.

The act emphasises the importance of AI systems in critical sectors such as healthcare, infrastructure, and finance. It does so, by identifying “high-risk” applications of AI. The EU has taken a more cautious approach regarding this modern technology, carefully balancing innovation with the need of safety and accountability, ensuring that foreign investments align with European values, and do not jeopardise technological sovereignty. This legislation shows a key part of the European Union’s strategy to remain competitive in the global market, while also protecting its people from risks posed by foreign influence or misuse of advance AI technologies.

States of America):

It is essentially impossible to deny the USA's current dominance in the field of artificial intelligence. Even in comparison to China, their closest competitor, the sheer magnitude of US investment in this sector is highlighted. Between 2014 and 2024, China's investment value was of roughly \$86 billion, in the United States it was estimated at \$605 billion. The amount of investment in the nation alone gives an idea of the need to regulate it, especially if its origin is foreign. To do so, the United States has the CFIUS (Committee on Foreign Investment in the United States), which oversees any foreign transactions, aimed to prevent risks to national security. In 2018, the jurisdiction of CFIUS was expanded by the FIRRMA (Foreign Investment Risk Review Modernization Act) to increase the effectiveness of protection of national security.

Foreign investments often find themselves under intense scrutiny in the United States, because, while the government does recognise the value in this technology, it also places a lot of importance on preventing foreign entities from gaining access to sensitive AI innovations, such as advanced algorithms, data analytics, or systems with potential military applications. Further, investments to and from competitors such as China are limited due to the risk of transfer or passing of technologies. However, the US welcomes investments from trusted allies, and, like all other nations, tries to balance the economic benefits with the need to protect national security and maintain its leadership in the field of Artificial Intelligence.

OECD (Organisation for Economic Co-operation and Development):

The OECD defines itself as an “international organisation that works to build better policies for better lives.” They are a group of 38 countries, which work together to “promote economic growth, prosperity, and sustainable development”, as the United States government says. The OECD provides countries with guidelines to perform FDI (foreign direct investment) screenings, helping countries regulate sectors such as AI to prevent foreign access to sensitive technologies, data, or infrastructure.

The OECD's AI Principles emphasise trustworthy and secure AI development, and they serve as a foundation for countries to assess risks related to ownership or influence. Further, by

analysing global trends and fostering international collaboration, the OECD supports nations in drafting legislation that ensures technological sovereignty, while balancing economic openness with national security.

Timeline of Events

Date	Description of event
1950	Alan Turing's "Computing Machinery and Intelligence" is published
Summer 1956	Dartmouth Summer Research Project on Artificial Intelligence (DSRPAI) takes place

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1960s-1970s	The development of primitive AI chatbots such as MIT's Eliza and Stanford's Parry start taking place
May 1997	IBM's "Deep Blue" beat world champion Gary Kasparov in a game of chess
2018	The US expands the jurisdiction of the CFIUS under the FIRRMA to strengthen national security
March 15 th , 2019	China adopts its Foreign Investment Law, with Article 35 providing a safety review system for investments that may pose a threat to national security
2024	Saudi Arabia's "Aramco" invest \$400 million in China's "Zhipu AI"

Previous Attempts to solve the Issue

Unfortunately, due to the novelty of this issue there have not been many attempts to directly address it, however there is one temporary solution that faces the issue to a certain extent.

Governments implementing domestic foreign investment supervisors:

Supervisory bodies such as CFIUS (Committee on Foreign Investment in the United States) have proven effective in blocking high-risk investments that threaten national security in sectors such as AI. Similarly, the European Union's FDI (Foreign Direct Investment) screening regulations give member states the power to review foreign investments in industries. Mechanisms like this prove to be essential to assess risk and implement restrictions when necessary.

China also has the power to regulate investments through Article 35 of its Cybersecurity Law. Foreign entities undergo security assessments before being permitted to invest in the country, preventing foreign control over key infrastructure. This is combined with China's Negative List, which restricts foreign investment into industries of the Chinese government's choice, prioritises national security and technological leadership.

These frameworks, despite having proven effective in safeguarding national interests, face challenges. Over-regulation can deter beneficial investments and slow down AI innovations due to delays and bureaucratic procedures, whereas too little regulations can put countries at risk as potential targets for dependency traps.

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Possible Solutions

GAISIF (Global AI Security and Innovation Fund)

GAISIF would be an international collaborative initiative designed to ensure the responsible development, deployment, and oversight of AI technologies that have the potential national security implications, particularly in the military, surveillance, and critical infrastructure sectors. By having various sources of income, the fund would enable secure and ethical AI development while mitigating the risk of foreign influence or espionage.

Countries across the world would contribute to a central fund dedicated to the development of secure AI systems for defence, security, and critical infrastructure. The cooperative funding approach would reduce reliance on any single party or private entity, ensuring that AI technology is developed with global safety standards in mind. Further, it would support nations with fewer resources to gain access to the most advanced AI systems without exposing them to unnecessary foreign influence or vulnerabilities.

To maintain global functionality and ensure high security standards, an independent, multinational committee would monitor AI projects funded through GAISIF. Every AI technology developed under this framework would have to pass an exhaustive certification process to guarantee that it is free from foreign influence, resilient against cyber threats, and complies with previously established international ethical guidelines. This would minimise risks of any issues with AI technologies that are being used for military,

surveillance, or infrastructure purposes.

This initiative addresses national sovereignty concerns by ensuring that foreign investments in critical AI sectors are carefully regulated to prevent outside control or influence, while also aiding countries to maintain control over vital AI innovations while promoting further international collaboration. By balancing secure, domestic development with global partnerships it safeguards national interests while promoting healthy technological growth.

International Artificial Intelligence Tribunal

This committee would have a similar function to the one of the International Court of Justice (ICJ), but instead, it would act as an impartial judicial body for issues regarding AI, following a previously made set of laws. The tribunal would be responsible for settling issues related to Artificial Intelligence, such as conflicts over foreign investments, technology transfer, cross-border data usage, or ethical concerns. By providing a neutral platform for arbitration, it would ensure that all member states abide by the globally agreed manner of managing AI, while also ensuring that accountability is found for those who are guilty.

Additionally, the tribunal would also have the authority to impose binding rules and sanctions upon those found in violation of laws related to AI. This enforcement would encourage all member states to abide by international standards, preventing them from acting unethically. By supporting accountability and fairness, this court would strengthen trust among nations and ensure that AI is developed and deployed responsibly, with global security and equity as key priorities.

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